

## § 223.11

member of the Federal Reserve System. For purposes of this definition, an operating subsidiary of a member bank is treated as part of the member bank.

(x) “*Municipal securities*” has the same meaning as in section 3(a)(29) of the Securities Exchange Act of 1934 (17 U.S.C. 78c(a)(29)).

(y) “*Nonaffiliate*” with respect to a member bank means any person that is not an affiliate of the member bank.

(z) “*Obligations of, or fully guaranteed as to principal and interest by, the United States or its agencies*” includes those obligations listed in 12 CFR 201.108(b) and any additional obligations as determined by the Board. The term does not include Federal Housing Administration or Veterans Administration loans.

(aa) “*Operating subsidiary*” with respect to a member bank or other depository institution means any subsidiary of the member bank or depository institution other than a subsidiary described in paragraphs (b)(1)(i) through (v) of § 223.2.

(bb) “*Person*” means an individual, company, trust, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of entity.

(cc) “*Principal underwriter*” has the meaning specified in paragraph (c)(1) of § 223.53.

(dd) “*Purchase of an asset*” by a member bank from an affiliate means the acquisition by a member bank of an asset from an affiliate in exchange for cash or any other consideration, including an assumption of liabilities. The merger of an affiliate into a member bank is a purchase of assets by the member bank from an affiliate if the member bank assumes any liabilities of the affiliate or pays any other form of consideration in the transaction.

(ee) “*Riskless principal*.” A company is “*acting exclusively as a riskless principal*” if, after receiving an order to buy (or sell) a security from a customer, the company purchases (or sells) the security in the secondary market for its own account to offset a contemporaneous sale to (or purchase from) the customer.

(ff) “*Securities*” means stocks, bonds, debentures, notes, or similar obligations (including commercial paper).

## 12 CFR Ch. II (1–1–11 Edition)

(gg) “*Securities affiliate*” with respect to a member bank means:

(1) An affiliate of the member bank that is registered with the Securities and Exchange Commission as a broker or dealer; or

(2) Any other securities broker or dealer affiliate of a member bank that is approved by the Board.

(hh) “*State bank*” has the same meaning as in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(ii) “*Subsidiary*” with respect to a specified company means a company that is controlled by the specified company.

(jj) “*Voting securities*” has the same meaning as in 12 CFR 225.2.

(kk) “*Well capitalized*” has the same meaning as in 12 CFR 225.2 and, in the case of any holding company that is not a bank holding company, “*well capitalized*” means that the holding company has and maintains at least the capital levels required for a bank holding company to be well capitalized under 12 CFR 225.2.

(ll) “*Well managed*” has the same meaning as in 12 CFR 225.2.

### Subpart B—General Provisions of Section 23A

#### § 223.11 What is the maximum amount of covered transactions that a member bank may enter into with any single affiliate?

A member bank may not engage in a covered transaction with an affiliate (other than a financial subsidiary of the member bank) if the aggregate amount of the member bank’s covered transactions with such affiliate would exceed 10 percent of the capital stock and surplus of the member bank.

#### § 223.12 What is the maximum amount of covered transactions that a member bank may enter into with all affiliates?

A member bank may not engage in a covered transaction with any affiliate if the aggregate amount of the member bank’s covered transactions with all affiliates would exceed 20 percent of the capital stock and surplus of the member bank.